

Translation

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**Summary of Consolidated Financial Results
for the Year Ended February 20, 2018
(Based on Japanese GAAP)**

March 27, 2018

Company name: ARCLAND SAKAMOTO CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 9842 URL <http://www.arcland.co.jp/>
 Representative: President Masatoshi Sakamoto
 Director, General Manager of Administration
 Inquiries: Headquarters Mitsuaki Shida TEL 0256-33-6000
 Scheduled date of ordinary general meeting of shareholders: May 10, 2018
 Scheduled date to file Securities Report: May 10, 2018
 Scheduled date to commence dividend payments: May 11, 2018
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 20, 2018 (from February 21, 2017 to February 20, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 20, 2018	105,232	2.1	9,393	6.2	10,037	4.8	5,408	8.0
Year ended February 20, 2017	103,031	1.7	8,842	0.8	9,580	1.2	5,009	5.2

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 20, 2018	133.36	–	8.3	11.3	8.9
Year ended February 20, 2017	123.52	–	8.4	11.4	8.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 20, 2018	90,843	74,590	73.9	1,654.18
As of February 20, 2017	87,336	69,303	71.8	1,546.02

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 20, 2018	9,549	(774)	(3,991)	14,777
Year ended February 20, 2017	8,546	(4,315)	(398)	9,993

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 20, 2017	–	12.50	–	12.50	25.00	1,013	20.2	1.7
Year ended February 20, 2018	–	12.50	–	15.00	27.50	1,115	20.6	1.7
Year ending February 20, 2019 (Forecast)	–	15.00	–	15.00	30.00		22.1	

3. Forecast of consolidated financial results for the year ending February 20, 2019 (from February 21, 2018 to February 20, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 20, 2018	54,500	1.5	5,300	1.8	5,700	2.7	3,000	(3.9)	73.97
Full year	107,000	1.7	9,700	3.3	10,500	4.6	5,500	1.7	135.61

4. Notes

(1) Changes in significant subsidiaries during the year ended February 20, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 20, 2018	41,381,686 shares	As of February 20, 2017	41,381,686 shares
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Number of treasury shares at the end of the period

As of February 20, 2018	823,948 shares	As of February 20, 2017	823,900 shares
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Average number of shares during the period

Year ended February 20, 2018	40,557,776 shares	Year ended February 20, 2017	40,557,819 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 20, 2017	As of February 20, 2018
Assets		
Current assets		
Cash and deposits	9,993	14,777
Notes and accounts receivable - trade	3,546	3,748
Merchandise and finished goods	11,899	12,081
Raw materials and supplies	12	13
Securities	3,600	–
Deferred tax assets	360	391
Other	1,262	1,321
Allowance for doubtful accounts	(8)	(8)
Total current assets	30,668	32,326
Non-current assets		
Property, plant and equipment		
Buildings and structures	62,115	63,138
Accumulated depreciation	(32,255)	(33,857)
Buildings and structures, net	29,859	29,281
Land	8,840	11,173
Construction in progress	17	70
Other	6,031	6,228
Accumulated depreciation	(5,102)	(5,347)
Other, net	929	881
Total property, plant and equipment	39,647	41,407
Intangible assets		
Goodwill	270	358
Leasehold right	1,730	1,730
Software	114	101
Other	63	58
Total intangible assets	2,179	2,248
Investments and other assets		
Investment securities	9,775	9,969
Lease and guarantee deposits	4,595	4,447
Long-term prepaid expenses	228	206
Other	248	244
Allowance for doubtful accounts	(7)	(6)
Total investments and other assets	14,840	14,860
Total non-current assets	56,668	58,517
Total assets	87,336	90,843

(Millions of yen)

	As of February 20, 2017	As of February 20, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	4,101	4,765
Short-term loans payable	2,300	–
Current portion of long-term loans payable	500	500
Accounts payable - other	1,427	1,302
Income taxes payable	1,552	1,774
Accrued expenses	1,472	1,684
Provision for bonuses	232	226
Provision for sales returns	3	2
Asset retirement obligations	23	–
Other	373	400
Total current liabilities	11,986	10,657
Non-current liabilities		
Long-term loans payable	500	–
Long-term guarantee deposited	3,303	3,335
Net defined benefit liability	264	260
Provision for directors' retirement benefits	180	180
Asset retirement obligations	1,478	1,542
Deferred tax liabilities	198	197
Other	120	79
Total non-current liabilities	6,046	5,595
Total liabilities	18,032	16,252
Net assets		
Shareholders' equity		
Capital stock	6,462	6,462
Capital surplus	6,603	6,603
Retained earnings	48,372	52,718
Treasury shares	(641)	(641)
Total shareholders' equity	60,798	65,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,923	1,945
Foreign currency translation adjustment	(18)	0
Total accumulated other comprehensive income	1,904	1,946
Non-controlling interests	6,600	7,500
Total net assets	69,303	74,590
Total liabilities and net assets	87,336	90,843

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended February 20, 2017	Fiscal year ended February 20, 2018
Net sales	103,031	105,232
Cost of sales	64,999	65,754
Gross profit	38,031	39,478
Selling, general and administrative expenses	29,189	30,085
Operating profit	8,842	9,393
Non-operating income		
Interest income	55	34
Dividend income	71	79
Purchase discounts	321	307
Commission fee	13	13
Rebate income	115	110
Share of profit of entities accounted for using equity method	53	21
Other	127	99
Total non-operating income	758	666
Non-operating expenses		
Interest expenses	5	3
Foreign exchange losses	–	8
Other	14	10
Total non-operating expenses	19	22
Ordinary profit	9,580	10,037
Extraordinary income		
Gain on sales of non-current assets	17	3
Settlement received	–	13
Gain on reversal of asset retirement obligations	–	6
Compensation for transfer	–	4
Income from exited tenant	129	–
Other	7	1
Total extraordinary income	155	29
Extraordinary losses		
Loss on retirement of non-current assets	183	108
Impairment loss	220	97
Dismantlement expenses	31	22
Loss on closing of stores	33	93
Other	43	25
Total extraordinary losses	512	346
Profit before income taxes	9,223	9,719
Income taxes - current	3,121	3,236
Income taxes - deferred	100	(42)
Total income taxes	3,221	3,194
Profit	6,001	6,525
Profit attributable to non-controlling interests	991	1,116
Profit attributable to owners of parent	5,009	5,408

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 20, 2017	Fiscal year ended February 20, 2018
Profit	6,001	6,525
Other comprehensive income		
Valuation difference on available-for-sale securities	1,603	22
Foreign currency translation adjustment	(12)	21
Share of other comprehensive income of entities accounted for using equity method	–	(0)
Total other comprehensive income	1,590	43
Comprehensive income	7,591	6,569
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,604	5,442
Comprehensive income attributable to non-controlling interests	986	1,126

Consolidated statements of changes in equity

Fiscal year ended February 20, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,462	6,603	44,376	(640)	56,803
Changes of items during period					
Dividends of surplus			(1,013)		(1,013)
Profit attributable to owners of parent			5,009		5,009
Purchase of shares of consolidated subsidiaries		(0)			(0)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	3,995	(0)	3,995
Balance at end of current period	6,462	6,603	48,372	(641)	60,798

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	321	(11)	309	5,792	62,905
Changes of items during period					
Dividends of surplus					(1,013)
Profit attributable to owners of parent					5,009
Purchase of shares of consolidated subsidiaries					(0)
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	1,602	(7)	1,595	807	2,402
Total changes of items during period	1,602	(7)	1,595	807	6,398
Balance at end of current period	1,923	(18)	1,904	6,600	69,303

Fiscal year ended February 20, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,462	6,603	48,372	(641)	60,798
Changes of items during period					
Dividends of surplus			(1,013)		(1,013)
Profit attributable to owners of parent			5,408		5,408
Change of scope of consolidation					-
Change of scope of equity method			(49)		(49)
Purchase of shares of consolidated subsidiaries		(0)			(0)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	4,345	(0)	4,345
Balance at end of current period	6,462	6,603	52,718	(641)	65,143

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,923	(18)	1,904	6,600	69,303
Changes of items during period					
Dividends of surplus					(1,013)
Profit attributable to owners of parent					5,408
Change of scope of consolidation				11	11
Change of scope of equity method		7	7	(34)	(75)
Purchase of shares of consolidated subsidiaries					(0)
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	22	11	33	922	956
Total changes of items during period	22	19	41	899	5,286
Balance at end of current period	1,945	0	1,946	7,500	74,590

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 20, 2017	Fiscal year ended February 20, 2018
Cash flows from operating activities		
Profit before income taxes	9,223	9,719
Depreciation	2,456	2,362
Amortization of goodwill	68	82
Impairment loss	220	97
Increase (decrease) in allowance for doubtful accounts	(5)	(0)
Increase (decrease) in net defined benefit liability	(11)	(4)
Interest and dividend income	(126)	(114)
Interest expenses	5	3
Dismantlement Expenses	31	22
Share of (profit) loss of entities accounted for using equity method	(53)	(21)
Loss on retirement of non-current assets	183	108
Loss (gain) on sales of non-current assets	(17)	(3)
Loss on store closings	33	93
Income from exited tenant	(129)	–
Decrease (increase) in notes and accounts receivable - trade	(8)	(184)
Decrease (increase) in inventories	356	(181)
Decrease (increase) in other assets	(132)	(25)
Increase (decrease) in notes and accounts payable - trade	(253)	649
Increase (decrease) in other liabilities	(216)	(45)
Other, net	1	(38)
Subtotal	11,624	12,521
Interest and dividend income received	121	108
Interest expenses paid	(5)	(2)
Settlement package received	–	15
Income taxes paid	(3,193)	(3,093)
Net cash provided by (used in) operating activities	8,546	9,549
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,362)	(4,101)
Proceeds from sales of property, plant and equipment	155	26
Purchase of intangible assets	(45)	(35)
Payments for lease and guarantee deposits	(228)	(343)
Proceeds from collection of lease and guarantee deposits	210	493
Purchase of investment securities	(4,303)	(56)
Proceeds from redemption of securities	2,407	2,592
Proceeds from sales of securities	–	1,010
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(188)
Purchase of long-term prepaid expenses	(9)	(10)
Purchase of shares of subsidiaries and associates	–	(164)
Other, net	(140)	5
Net cash provided by (used in) investing activities	(4,315)	(774)

(Millions of yen)

	Fiscal year ended February 20, 2017	Fiscal year ended February 20, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,500	(2,300)
Repayments of long-term loans payable	(500)	(500)
Proceeds from guarantee deposits received	106	253
Repayments of guarantee deposits received	(311)	(222)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,013)	(1,013)
Dividends paid to non-controlling interests	(178)	(203)
Other, net	(0)	(4)
Net cash provided by (used in) financing activities	(398)	(3,991)
Effect of exchange rate change on cash and cash equivalents	(2)	0
Net increase (decrease) in cash and cash equivalents	3,830	4,784
Cash and cash equivalents at beginning of period	6,163	9,993
Cash and cash equivalents at end of period	9,993	14,777